

# **CONTROLLER STEVE WESTLY**

## **STATE OF CALIFORNIA**

300 Capitol Mall  
Sacramento, CA 95814  
916.445.3028  
[www.controller.ca.gov](http://www.controller.ca.gov)

**FOR IMMEDIATE RELEASE:**  
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**CONTACT: PAUL HEFNER**  
916-324-2356

## **Westly Pledges to Fund Key Services Until Budget Completed**

SACRAMENTO – Controller Steve Westly today outlined plans to keep state funds flowing to preserve vital services until a final budget is adopted.

“We all know we need a budget as soon as possible,” Westly said. “In the meantime, as the state’s chief financial officer, I will do everything I can to provide payments for essential services.”

In a letter to members of the Legislature, Westly said he would continue to pay the salaries of state employees, and to pay state vendors for services provided before the new fiscal year began July 1. In addition, Westly will continue making payments required by federal law, authorized by the State Constitution or allowed via continuous legislative appropriation.

Westly said that the state’s cash position is substantially improved from last year, due to passage of Proposition 57 and the improved economy.

But Controller Westly cautioned that while no large payments were immediately threatened, several claims will come due later this month – including payments to community colleges and to school districts for categorical programs – that cannot be paid until a budget is signed.

“The real date to watch for is July 28. That’s when I will not be able to make major payments to community colleges and California’s schools,” Westly said.

Westly said he cannot make payments to vendors for services provided since July 1. He also said he would continue the practice of withholding salaries and per diem from state elected officials and appointed staff until a budget is adopted.

Text of letter follows.

-More-



## STEVE WESTLY California State Controller

July 8, 2004

Dear Legislators:

Thank you for working hard to finalize California's budget. To help you respond to your constituents' concerns, let me outline what obligations I can and cannot pay until a budget is signed into law.

The state's cash position is substantially better this year than last, due to passage of Prop. 57 and the improving economy.

As the State's chief financial officer, I will do everything I can to continue to provide payments for essential services. However, there are a number of constitutional and other restrictions that will prevent me from making payments scheduled for month's end to community colleges, school districts' categorical programs and local governments.

### **What We Can Pay**

In the absence of a budget, I am authorized to make the following types of payments:

1. **State Employees** – In *Jarvis vs. Westly*, the state Supreme Court ruled that payment to state employees was proper under the Fair Labor Standards Act. The court left open the question of whether the payment was to be for full or minimum wages and whether or not minimum wage payments were feasible. My office did a study and concluded it is not feasible to pay some employees full salary and others minimum wage under the state's current payroll system. We are in the process of replacing our payroll system – which has been in place since the 1970s – but that work will not be completed until 2008.
2. **Prior Year Obligations** – These payments are for costs incurred in the prior fiscal year. These include vendor payments for services provided before June 30.
3. **Constitutional Authorizations** – These are financial obligations set out in the State Constitution, such as debt service and related interest payments, and revenue limit education payments.
4. **Federal Mandates** – Even without a budget, California must comply with federal law. Therefore, I will continue making federally mandated payments such as Medi-Cal and CalWorks.

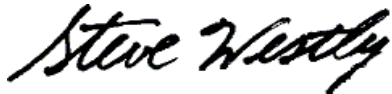
5. **Continuous Legislative Appropriations** – I will continue to pay those expenses with ongoing authorization of the Legislature, such as unclaimed property payments and income tax refunds.

**What We Cannot Pay**

1. Payments to community colleges, school districts, local governments, some non-profit organizations and other entities not allowed as specified above.
2. Payments to vendors for services provided during the new fiscal year.
3. Salaries and per diem of state elected officials and their appointed staff.

I hope this information is helpful to you. Please call me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Steve Westly". The signature is written in a cursive, flowing style.

STEVE WESTLY  
California State Controller

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